

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON APPROPRIATIONS**

**Call to Order:** By **CHAIRMAN DAVE LEWIS**, on January 22, 2003 at 3:45 P.M., in Room 102 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Dave Lewis, Chairman (R)  
Rep. Rosalie (Rosie) Buzzas, Vice Chairman (D)  
Rep. Edith Clark, Vice Chairman (R)  
Rep. John Brueggeman (R)  
Rep. Tim Callahan (D)  
Rep. Stanley (Stan) Fisher (R)  
Rep. Eve Franklin (D)  
Rep. Dick Haines (R)  
Rep. Donald L. Hedges (R)  
Rep. Joey Jayne (D)  
Rep. Dave Kasten (R)  
Rep. Christine Kaufmann (D)  
Rep. Monica Lindeen (D)  
Rep. John Musgrove (D)  
Rep. Jeff Pattison (R)  
Rep. Rick Ripley (R)  
Rep. John Sinrud (R)  
Rep. John Witt (R)

**Members Excused:** Rep. Carol C. Juneau (D)

**Members Absent:** None.

**Staff Present:** None.

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: HB 19, HB 176, HB 313, 1/20/2003  
Executive Action: None

**HEARING ON HB 313**

**Sponsor:** REP. CINDY YOUNKIN, HD 28, Bozeman

**Opening Statement by Sponsor:**

REP. YOUNKIN said right now school districts can only carry forward 10% of their current budget total and that is all they can have from year to year. This bill is intended to allow the school districts to carry forward 10% each year so it adds the ability for school districts to exercise greater fiscal responsibility. If they have a long-term plan in mind and they don't have enough money for it now, they can save their money up to 10% every year. An amendment has been requested by the Sponsor. Exhibit 1.

**EXHIBIT** (aph13a01)

**Proponents' Testimony:**

Bob Vogel, Montana School Boards' Association and is appearing on behalf of the Montana Association of School Business Officials as well. Mr. Vogel said it is a good concept and urged the committee to give it support and consideration.

**Opponents' Testimony:** None

**Information Witnesses:** Madalyn Quinlan, Office of Public Instruction, said school districts, when they get to the end of one school year, are able to set aside a 10% operating reserve to bring them into the next school year. This helps them cover cash flow issues and if any revenues come in short, they have an operating reserve. The bill, as she thought was intended, is to say that a district can take 10% and either set all of it aside as an operating reserve or they can reserve something less than 10% and take the remainder that gets them to 10%, and move it over to the Flexibility Fund (Flex Fund). If that is the intention, then these amendments (Exhibit 1) will work for that.

**Questions from Committee Members and Responses:**

REP. BUZZAS said several years ago school boards were asked to set up a reserve account and then at some time when the Legislature needed more money for school funding, there was a request that school districts forfeited a portion of that. She asked if that is correct. Ms. Quinlan said school districts used to be allowed to hold an operating reserve of 35%. At that time the State was making payments to school districts on something other than a monthly basis. Now the State is making a payment to

each school district every month and the logic there is that the operating reserve of the school district could be reduced because they have a stable monthly flow of revenue coming from the State.

**REP. BUZZAS** said the way this is written it doesn't say they "may" designate, it says they "shall" designate up to 10% of their general fund end-of-the-year fund balance. **Ms. Quinlan** said that is one of the things the amendment would take care of.

**REP. MUSGROVE** asked **Mr. Vogel** if this bill will accomplish the issue of the voucher "spending frenzy" at the end of the school year. **Mr. Vogel** said that is their hope. If the school districts are in a use-it or lose-it situation at that point, without taking into account the reserve that is available, money could put it into the Flexibility Fund (Flex Fund).

In answer to a question from **REP. FISHER**, **Ms. Quinlan** said school districts are able to set aside an operating reserve. A district would have money left at the end of the year if they (a) didn't fully spend their budget or (b) the revenues came in at a higher rate than what they anticipated. They have a budget spending limit so if the revenues come in higher, then they have an ending fund balance. This bill would allow them to take a portion of that and set it aside. School districts have been able to set aside an operating reserve. It used to be a 35% reserve, now it's a 10% operating reserve.

In answer to a question from **REP. WITT** concerning a "spending frenzy," **Ms. Quinlan** said it could be that school districts wait until the end of the year because they may have money left in their budget and they would buy equipment such as computers, things they might think of as one-time expenditures, or if one-time doesn't apply, expenditures that might be on a replacement schedule. There is a better sense at the end of the year what can be purchased with the remaining money.

**REPS. KASTEN, HEDGES** asked **REP. YOUNKIN** for clarification and comments.

**Closing by Sponsor:**

**REP. YOUNKIN** closed the Hearing on HB 313.

**HEARING ON HB 176**

**Sponsor:** **REP. JEFF PATTISON, HD 95, Phillips and Valley Counties.**

**Opening Statement by Sponsor:**

**REP. PATTISON** quoted from lines 15, 16, 17 of the bill which said "will provide funding of administrative expenses for state and local entities associated with regional drinking water systems, except for the administrative expenses provided for in this subsection," taking out of General Fund and the Treasure State Endowment Program (TSEP) Fund.

Montana has two Regional Water Systems authorized by Congress: Fort Peck Dry Prairie Regional Water System and Rocky Boy's North Central Regional Water System. The bill is trying to assure some adequate funding for Montana's regional water authorities in the support the DNRC provides. This account was established in 1999 and is a sub-account of the Coal Severance Trust Fund and currently has a balance of over \$10 million. Interest earnings from the account are to be used to fund the State's cost share for this construction. HB 176 would expand the use of these earnings to include administrative costs. These costs include support for the Regional Water Systems and DNRC coordination.

The fiscal note shows there is no impact to the General Fund. There are sufficient earnings over the upcoming biennium for both the State's cost share for construction and to pay for administrative expenses.

**REP. PATTISON** said in the sub-committee work, they have already added the needed language to appropriate these funds but they made it contingent upon passage of HB 176. It is necessary to shift these needed appropriations into this funding source in order to reduce the General Fund and RIT appropriations.

**Proponents' Testimony:**

**John Tubbs, Department of Natural Resources and Conservation** said in 1999 the Legislature established the Regional Water System Fund in the Coal Severance Tax Trust Fund, Exhibits 2 and 3. The Regional Water Fund was set up to fund construction. This bill allows the Department and the Regional Water System to receive appropriations from the interest earnings of the Regional Water System Fund in order to support their activities while the Department proceeds on the water project. Right now the two Regional Water Funds are not in the budget, but have been in the budget the last four years, and need to get that support either through RIT expenditures or General Fund.

**EXHIBIT (aph13a02)**

**EXHIBIT (aph13a03)**

**Rick Knick, Chairman, Dry Prairie Rural Water** explained Exhibit 4.

**EXHIBIT**(aph13a04)

*{Tape: 1; Side: A; Approx. Time Counter: 0 - 29.7}*

**Dan Keil, Farmer from Conrad, served on the Coordinating Committee and is now President of North Central Water Authority** spoke from Exhibit 5.

**EXHIBIT**(aph13a05)

**REP. JOHN WITT, HD 89, North Central Project,** asked **REP. PATTISON** if he would agree to an amendment to add more money.

**REP. DAVE KASTEN, HD 99, Brockway,** explained Exhibit 6.

**EXHIBIT**(aph13a06)

**REP. JOHN MUSGROVE, HD 91, Central Section of Milk River Valley.**

**Sarah Carlson, Montana Association of Conservation Districts.**

**Annmarie Robinson, Deputy Director, Bear Paw Development.**

**Opponents' Testimony:** None

**Informational Testimony:**

**Jim Edgcomb, Manager, Treasure State Endowment Program,** said he would be available for questions.

**Jane Hamman, Office of Budget and Program Planning,** said this bill was requested by DNRC and the Office of Budget and Program Planning because as **Mr. Tubbs** indicated the costs have been budgeted for the last four years and this is a fund switch.

**Questions from Committee Members and Responses:**

**REP. JAYNE** referred **Mr. Edgcomb** to the fiscal note. She asked if there is a State Special Revenue already in place now or did this create a new account. **Mr. Edgcomb** said this does not create any new special revenue. There is already an account set up for the interest from the Treasure State Endowment Regional Water Fund.

**REP. JAYNE** asked how much funding will go into this special account. **Mr. Edgcomb** said there is no new money in place in the Treasure State Endowment Regional Water Fund itself. That mechanism is set up already; 25% of the Coal Severance Taxes coming down into the Trust, goes into the Fund so it is utilizing

the interest earnings. The earnings for FY 2004 are projected to \$404,000 and in FY 2005 \$1,670,000.

**REP. JAYNE** referred to the body of the bill, page 1, line 15 "and to provide funding of administrative expenses." She would like to know how much that is going to be. **Mr. Edgcomb** said in FY 2004 the actual expenditure would be \$330,793.

**REP. BUZZAS** referred a question to **REP. PATTISON** saying the money would be used for administrative costs. The only cost she was aware of was a trip to Washington D.C. to lobby Congress. **REP. PATTISON** said it was his understanding that a lot of this is taken out for a match, the need for matching funds like 3 to 1. The money ends up almost 20 to 1 ratio.

**Mr. Tubbs** said there are three parts to the addition of HB 2. One part goes to the Department of Natural Resources. In addition to that there are about \$24,000 for one year and \$23,500 in the second year for the operating costs associated with one FTE. It is not just the costs to lobby Congress for funds. Without the lobbying efforts they would not get any money from Congress. The money is coming from the Regional Water Fund and the interest earnings.

**REPS. FRANKLIN, HAINES, JUNEAU, JAYNE** to **Mr. Tubbs** for clarification and concerns.

*{Tape: 1; Side: B; Approx. Time Counter: 0 - 29.4}*

**Closing by Sponsor:**

**REP. PATTISON** closed the Hearing on HB 176 by saying, "Healthy water for a healthy Montana."

**HEARING ON HB 19**

**Sponsor:** **REP. DAVE KASTEN, HD 99, Brockway**

**Opening Statement by Sponsor:**

**REP. KASTEN** said this bill revises the State expenditure limitation by the Executive Branch and General Fund adopted by the Legislature. It provides for a growth factor and the executive budget will identify separately the portion of the proposed budget that does not conform to the expenditure limitation. It requires a fiscal analyst to determine conformity with the expenditure limitation prior to the adoption of the General Appropriations Act and it creates a "rainy day" fund.

The executive budget is submitted to the Legislature and must set forth a balanced financial plan for funds subject to appropriation that conforms to the expenditure limitation provided for in 17-8-106, page 4.

**Proponents' Testimony:**

**Riley Johnson, National Federation of Independent Business**, said he represents over 8,000 small business owners in Montana. Their decisions are made on supporting or opposing legislation by ballot. This provides a knowledgeable limit that works on state spending so he stands in support of HB 19.

**Opponents' Testimony:** None

**Informational Testimony:** None

**Questions from Committee Members and Responses:**

**REP. JAYNE** asked the Sponsor for a clearer picture. **REP. KASTEN** said there is an expenditure limitation on the books and what he is doing is amending it to be workable. It allows for a growth factor. It gives the Governor guidelines to build her budget on and then when it is presented to the Legislature, anything over above the growth factor will be set aside.

**REP. BUZZAS** said, "After it goes into the reserve account, the full amount of money can be spent with a two-thirds vote. Is that legal?" **Clayton Schenck, Legislative Fiscal Analyst** said there are certain limitations on what can be done. This bill states a certain fund can be spent for a certain purpose and yes, this would be legal.

**REP. FRANKLIN** said she understands the amount that is over but asked how it is decided which service or funding item that falls over that formula. "How do you decide what is the overage because it is a quantitative thing not a content thing?" **REP. KASTEN** said if this bill is in place, and at the end of the Session the budget is spent but there is still 2% left and the Governor did not have to use any for emergency, fire etc., for the next budget period, that would be the money that goes into that reserve. He hopes to get an amendment that would hold it there.

**Closing by Sponsor:**

**REP. KASTEN** closed the Hearing on HB 19.

After announcements were made by **CHAIRMAN LEWIS** the meeting was adjourned.

***{Tape: 2; Side: A; Approx. Time Counter: 0 - 25.8}***



**ADJOURNMENT**

Adjournment: 5:05 P.M.

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REP. DAVE LEWIS, Chairman

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MARY LOU SCHMITZ, Secretary

DL/MS

**EXHIBIT** (aph13aad)